

**Commonwealth of Massachusetts  
Department of Telecommunications and Energy  
Fitchburg Gas and Electric Light Company  
Docket No. D.T.E. 02-25  
Responses to the Attorney General's First Set of Information Requests**

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**Request No. AG 1-66**

Please set forth the accounting information concerning all out-of-period book adjustments made to book entries for the calendar years 1999, 2000, and 2001.

**Response:**

The Company has not had sufficient opportunity to perform an exhaustive study of all adjustments that might be characterized as "out of period adjustments" for all of the years requested. Listed below are the results of our efforts to date to identify major "out of period adjustments". If any additional adjustments are identified, the Company will file them as an amendment to this response as quickly as practical.

1999 Out of Period Adjustments:

- (1) In a review of the Company's accounting for the Transition Charge relative to Massachusetts Restructuring in DTE 99-110, the Company was asked by the Attorney General to provide calculations supporting the amortization of fixed costs and the carrying charges on fixed costs for July 1999. In its response to AG 1-5, the Company detailed three adjustments: one adjustment to amortization of fixed costs, and two adjustments to the carrying charges on fixed costs.
- (2) As indicated in the Company's response to DTE 99-110, IR-DTE-1-3, in the Company's May 5, 1999 Reconciliation Mechanism Filing approved by the Department on May 28, 1999, the Company indicated that the Default Service ending balance from December 1998, (\$8,513), would be transferred to the transition cost account. This transfer was made in April 1999.
- (3) In April 1999, it was determined that certain costs being recovered through the External Transmission Cost Recovery Mechanism should not be recovered through this mechanism. The costs, "System Control & Load Dispatching" and "ISO Expenses", were reclassified, with interest, as distribution expenses.
- (4) The manner in which the regulated Seabrook Asset (account 182-02) had been collected from customers and amortized on the Company's general

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ledger was an item of discussion during the Massachusetts Electric Industry Restructuring review by the Attorney General and the MDTE in Docket No. D.T.E. 97-115. The review resulted in Order D.T.E. 97-115/98-120.

The effect of the Order was an additional write-off of the Seabrook regulatory asset (account 182-02) through 12-31-98. The write-off was transferred to the Seabrook unrecoverable asset account (account 186-08).

The entry, recorded in February 1999, was as follows:

Debit 186-08 Seabrook Abandonment Deferred Debit \$1,475,672  
Credit 182-02 Seabrook Abandonment <\$1,475,672>

- (5) In 1999, the Company performed a comprehensive review of accounting for property taxes. In order to more accurately account for property tax on a fiscal year basis, it was determined that property taxes should be charged to prepaid property taxes when paid, and then amortized to expense.

The adjustment is being phased in over three years (1999 – 2001).

The entry for 1999 was as follows:

Debit 165-11 Prepaid Property Taxes  
Credit 408-12 Property Tax Expense <\$182,500>  
The Electric Portion was \$125,816. The Balance was posted to the Gas Division.

2000 Out of Period Adjustments:

In 1999, the Company performed a comprehensive review of accounting for property taxes. In order to more accurately account for property tax on a fiscal year basis, it was determined that property taxes should be charged to prepaid property taxes when paid, and then amortized to expense.

The adjustment is being phased in over three years (1999 – 2001).

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The entry for 2000 was as follows:

Debit 165-11 Prepaid Property Taxes  
Credit 408-12 Property Tax Expense <\$205,058>  
The Electric Portion was \$121,636. The Balance was posted to the Gas Division.

2001 Out of Period Adjustments:

- (1) In May 2001, it was determined that ISO billings for EFC were not allocated properly for 1998-2001. \$30,897 was booked not included in the cost of service.
- (2) A settlement for Wyman 4 Joint Owned Legal Expense was received in the amount of \$116,742 and was booked to a deferred debit. This is not included in the cost of service.
- (3) An adjustment for meter costs from October and November, 2000 was booked in the amount of \$53,693 to the Default Service Electric Model as a flowthrough cost. This is not included in the cost of service.
- (4) A Shared Savings Incentive earned for 1998 and 1999 were booked to the Energy Efficiency Models in the amount of \$164,994. This is not included in the cost of service.
- (5) In 1999, the Company performed a comprehensive review of accounting for property taxes. In order to more accurately account for property tax on a fiscal year basis, it was determined that property taxes should be charged to prepaid property taxes when paid, and then amortized to expense.

The adjustment is being phased in over three years (1999 – 2001).

The entry for 2001 was as follows:

Debit 165-11 Prepaid Property Taxes  
Credit 408-12 Property Tax Expense <\$215,706>

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The Electric Portion was \$142,582. The Balance was posted to the Gas Division

A specific calculation for current property taxes is prepared for the cost of service. This out-of-period entry is not included in the cost of service.

- (6) In connection with the issuance of orders in D.T.E. 99-118, 99-115, 99-114 and 99-110, the Company recorded an extraordinary loss for the Electric Division. Of this loss, \$2,103,690 related out-of-period book adjustments. The extraordinary loss was recorded as a result of the D.T.E. disallowance of recovery of certain restructuring costs through the reconciliation recovery mechanism.

The out-of-period book adjustment is recorded "below the line" and is not included in the filed cost of service.

**Person Responsible:** Mark H. Collin